

IN THE SPECIFICATION:

*Please amend the paragraph beginning on page 18, line 15 as follows:*

--Figure 3 shows a very reduced view of a system implementing an advantageous embodiment of the invention. The system preferably comprises devices A and B which implement the encoding (Enc) / decoding (Dec) according to the invention, respectively. The devices A, B can be placed physically separately in the system. The devices A, B can also be implemented as a single physical unit. Arrangements of the described type, combining DPCM and PCM modulation or using smart DPCM modulation, can thus be implemented as part of the electronic device, for example in a digital signal processing unit ~~(DPS)~~ (DSP) in a camera or the like. Typically, the electronic device also comprises other functions, such as means for displaying (D) image information to the user and a processor for controlling the electronic device. A digital camera (C) comprising an image processing system according to the invention can be preferably implemented in connection with a mobile device, either as a separate unit or integrated in the device, which mobile device also comprises means for mobile communication. Furthermore, the digital camera comprising the image processing system according to the invention may be connected to a communication network (e.g. the Internet), such as WebCam. The whole invention can be implemented by using hardware arrangements, a microcodable processor, or alternatively by computer software alone. All combinations of these are also possible. Consequently, the invention can typically also be used as a part of larger software, it can be constructed as part of a separate encoding circuit, or it can be implemented in connection with a camera module to be retailed separately.--